

## Further Discussion on Marketing Mix Strategy of Vinamilk in Vietnam - A Lesson for Maintaining its Leadership Position in the Market

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### ABSTRACT

Vinamilk is the leading enterprise of the dairy processing industry in Vietnam. In addition to product quality that many customers trust, Vinamilk's brand is also known by many famous and effective marketing strategies and campaigns.

By observations and qualitative analysis with synthesis and inductive methods, and quantitative model (econometric), study results shows that first, Vinamilk can increase net profit through reducing cost and increasing sale. Also it needs policy to reduce inflation and risk free rate to increase its profit. Last but not least, one of its success factors is that Vinamilk is paying great attention to improving and supplementing its new product categories. And finally, the company also organized 3 distribution channels successfully.

**Keywords:** Vinamilk, Milk market, Marketing mix, Leadership, Strategy.

### 1. Introduction

Vinamilk is proud to be the National Brand, in "Top 10 Most Valuable Milk Brands in the World" and "Top 36 Largest Dairy Companies in the World in terms of revenue".

Over 45 years of sustainable development, Vinamilk has been contributing to the development of Vietnam's dairy industry and realizing the goal of bringing Vietnamese milk to the world. "Vinamilk is committed to providing the community with top quality and high-quality nutrition with its own respect, love and high responsibility for human life and society." This is the company mission. In 2021, celebrating 45 years of establishment, Vinamilk not only becomes the leading nutrition company in Vietnam but also establishes a solid position of a National Brand on the map of the global dairy industry. The company has entered the top 40 dairy companies with the highest revenue in the world (Plimsoll Statistics, UK).

This paper will aim to explore what affect Vinamilk profits and what are its marketing mix strategy to ensure its leadership position in milk market in the country. Authors will organize this paper with introduction, literature review, methodology, main findings, discussion and conclusion.

#### 1.1. Research questions

Question 1: Discussion on marketing mix strategy of Vinamilk

Question 2: What affect Vinamilk profits?

Question 3: What are recommendations for management?

### 2. Literature review

Studies pointed that marketing and strategy has relationship with stronger corporate governance and confirmed by (TTH Ha et al, 2019; PM Dat et al, 2020).

And Le, K., & Nguyen, M. (2021) stated there is relation between education (law , for ex) and political engagement.

Next we summarize related studies:

**Table 1.** Summary of previous studies

Authors	Year	Content, results
Kotler	2000	Consumerism has been defined as a social movement seeking to augment the rights and powers of consumers in relation to sellers.
Armstrong et al.	2009	In a related model where consumers have ability to refuse to receive marketing, authors find that this ability to soften price competition and can make all consumers worse off.
Londhe	2014	Marketing mix has under gone a sea change in last few decades. Every stake holder involved in the marketing process looks for 'Value'. The customer enters in the marketing process for better 'value' for his money through 'Value to Customer'. The marketers would like to concentrate on the 'valued customer'. The prime objective of any business is to sought value from the business 'value to the marketer'. The marketer and customer would like to keep society's interest intact through 'Value to society'.
Thabit & Raefw	2018	concluded as following: 1. The promotion has a very high level of impact to increase the sales of products. 2. The good distribution of product can effect positively on customer satisfaction. 3. The company's policy for promoting has a very good reflection on increasing the sales of products. The researchers recommended that the company must strengthen the level of promotions in its activities and departments, and the increasing of sales points is very important, so the company must enhance its policies of distribution.
Hafni & Rosmawati	2020	The outcome of the analysis provided strategic marketing strategy for all facets of the 4Ps marketing mix, such as product, price, place, and promotion. As five competitive forces are generated based on Porters, the resulting strategic marketing strategy becomes more oriented. This analysis will be useful for the company owner to take the best

		strategic marketing approach in particular. The results showed that the product, price, place, and promotion had a significant influence on consumer decisions even though the t test results on product, price, and promotion variables had no effect partially.
Nguyen Trong Diep et al.	2022	Mentioned in Consumer protection Law 2010 and amendment pointed Vulnerable consumers.

(Source: Author Synthesis)

### 3. Methodology

As usual in this paper, Authors mainly use experience, observations and qualitative analysis with synthesis and inductive methods. Author also used econometric model as quantitative analysis.

### 4. Main findings

#### 4.1. Vinamilk Maintain leadership position

Vinamilk is the leading enterprise of the dairy processing industry in Vietnam. In addition to product quality that many customers trust, Vinamilk's brand is also known by many famous and effective marketing strategies and campaigns. In 2018, Vinamilk was one of the top 200 companies with revenue over 1 billion dollars in Asia Pacific (Best over a billion).

In addition to being famous for product quality as well as offering a wide range of products, Vinamilk is also a popular brand and attracts customers to know itself through attractive and novel content in campaigns. Marketing translation to promote products and brands successfully. Strategy in English (and widely used) means Strategy, a term used to refer to overall plans or general directions developed to achieve one or more other goals, each other in the long, medium and short term.

*First we look at its product category:*



**Fig.1.** Products of Vinamilk

(Source: Internet)

#### **4.2. Discussion on marketing mix strategy of Vinamilk**

##### ***Vinamilk Business Philosophy***

Vinamilk wishes to become a favorite product in all regions and territories. Therefore, we keep in mind that quality and creativity are Vinamilk's companions. Vinamilk considers customers as the center and commits to meet all needs of customers.

##### ***Its Quality Policy***

Always satisfy and be responsible to customers by constantly improving, diversifying products and services, ensuring quality, food safety and hygiene with competitive prices, respecting business ethics and obey the law.

*We analyze the company marketing mix strategy in below table:*

**Table 2.** Marketing mix of Vinamilk

<b>Product</b>	<b>Price</b>
<p>Dairy products are delicious, nutritious and good for health, so they are loved by many people, such as: Milk in liquid form, powder form, solid form, yogurt form and Vfresh fruit juice, etc.</p> <p>Vinamilk is paying great attention to improving and supplementing its new product categories. By 2009, the brand had developed and launched nearly 20 products with many similar segments and industries in the market. Firm put efforts in expanding the product portfolio with the goal of bringing clean, natural milk and meeting the diverse desires of consumers, from children, adults to the elderly as well as the bring them the cleanest and most natural milk.</p> <p>Vinamilk's dairy products always provide customers with nutritional solutions and especially ensure international quality.</p> <p>In addition to a diversified product portfolio, Vinamilk also always focuses on improving product quality.</p> <p>In order to meet the increasing demands of consumers and improve product quality, in 1999, Vinamilk successfully applied the Quality Management System according to the international standard ISO 9002 and is currently applying the Quality Management System. Quality management according to international standard 9001:2000</p>	<p>For example, Vinamilk's infant formula is only one third of the price of other milk lines on the market.</p> <p>With a high level of competition in the dairy market, if Vinamilk raises its price to half that of other brands, its market share will be negatively affected.</p> <p>Besides, Vinamilk also believes that increasing the selling price of products will reduce the purchasing power of consumers because Vietnam's per capita income is still low compared to other countries.</p> <p>In order to be able to develop a suitable price policy, Vinamilk will reduce the source of imported materials from abroad if the domestic source of raw materials is always abundant and quality is guaranteed.</p>

Promotion	Place
<p>Vinamilk has conducted multi-channel product advertising such as advertising on fanpage, advertising on television, PR campaigns, outdoor advertising, developing videos on YouTube, etc.</p> <p>Besides, it is regularly changing and refreshing advertising content and forms to attract attention from consumers.</p> <p>Along with advertising campaigns, Vinamilk also regularly implements promotions such as: increasing product capacity but unchanged price, accompanying gifts, product discounts, etc.</p>	<p>Vinamilk's distribution system includes 3 main channels:</p> <p>The first channel is the supermarket channel. Vinamilk divides supermarket channels into two categories: Type 1 is large supermarkets such as Big C, Metro, and type 2 is small supermarkets such as Fivimart, Citi mart, Intimex.. These supermarkets place orders directly with agents. branch representative of Vinamilk.</p> <p>The second channel in Vinamilk's distribution system is the key accounts channel. This channel includes restaurants, hotels, schools, agencies. These units also directly place orders with representatives of Vinamilk's branches in large quantities.</p> <p>The third channel that Vinamilk considers strategic is the traditional channel.</p> <p>The essence of this type of channel is actually VMS (Vertical Marketing System - a distribution channel with a focused program and professional management) in which the manufacturer is Vinamilk managing its distributors through the signing of contracts. binding contracts on the responsibilities, rights and obligations of both parties.</p> <p>Distributors are located throughout the provinces and cities across the country according to the market map outlined by Vinamilk.</p> <p>In addition to a diversified distribution channel system, Vinamilk has also applied an online sales management system (DMS One) for distributors, retailers and sales staff across the country since the end of February 2013.</p> <p>Each salesperson has been equipped with a tablet computer connected to 3G and GPS, relevant information about goods will be updated regularly.</p>

(Source: Author Analysis)

*In addition, vinamilk also focus on:*

***People (human factor)***

Vinamilk has been and continues to promote the human factor.

Business development Vinamilk always attaches importance to human resource development because it is a qualitative development for long-term sustainable development.

There are appropriate and competitive remuneration and remuneration policies. The salary is suitable to attract, keep and motivate employees in the company.

Promote policies that care about the lives and health of consumers to strengthen trust in the company.

***4.3. What affect VInamilk profits***

*According to our below econometric model we see multi factors affect VInamilk net profit:*

***4.3.1. Scenario 1 - regression model with 7 macro variables: adding GDP growth (g) and net sales to above model***

***Running Eviews gives us results***

Dependent Variable: Y  
Method: Least Squares  
Date: 02/24/20 Time: 12:48  
Sample: 1 10  
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COST	-0.343875	0.078457	-4.382985	0.0483
CPI	-4.985092	2.957861	-1.685370	0.2340
R	-0.815847	6.360748	-0.128263	0.9097
EX_RATE	0.000239	0.000323	0.740406	0.5362
RF	4.202833	8.653002	0.485708	0.6752
G	-37.04889	26.02992	-1.423319	0.2906
NETSALE	0.301283	0.034140	8.824856	0.0126
C	0.798454	5.100409	0.156547	0.8900
R-squared	0.998072	Mean dependent var	7.400000	
Adjusted R-squared	0.991323	S.D. dependent var	2.560382	
S.E. of regression	0.238495	Akaike info criterion	-0.038373	
Sum squared resid	0.113760	Schwarz criterion	0.203695	
Log likelihood	8.191866	F-statistic	147.8961	
Durbin-Watson stat	2.209220	Prob(F-statistic)	0.006732	

$$Y = -0.34 \cdot \text{COST} - 4.98 \cdot \text{CPI} - 0.81 \cdot \text{R} - 37 \cdot \text{G} + 4.2 \cdot \text{Rf} + 0.0002 \cdot \text{EX\_RATE} + 0.3 \cdot \text{NETSALE} + 0.7,$$

$$R^2 = 0.99, \text{SER} = 0.23$$

$$(0.07) \quad (2.95) \quad (6.36) \quad (26.02) \quad (8.65) \quad (0.0003) \quad (0.03)$$

Here we see impacts of 7 micro and macro factors, with the new variable: net sales, the above equation shows that VNM Net profit (Y) has negative correlation with GDP growth, cost and inflation and lending rate, whereas it has positive correlation with risk free rate, net sales and exchange rate. We also recognize that GDP growth, inflation, risk free rate and lending rate have the highest impact on VNM Net profit. When lending rate declines, it will increase investment in stock as well as financial market, then it will lead to an increase in VNM Net profit.



#### 4.3.2. Scenario 2 - regression model with 8 macro variables: adding VNM stock price

##### Running Eviews gives us results

Dependent Variable: Y  
Method: Least Squares  
Date: 02/24/20 Time: 12:49  
Sample: 1 10  
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COST	-0.317616	0.085854	-3.699481	0.1681
CPI	-3.171537	3.623133	-0.875358	0.5422
R	4.951623	9.023888	0.548724	0.6805
EX_RATE	0.000479	0.000421	1.136452	0.4594
RF	-10.33075	17.95843	-0.575259	0.6677
G	-47.34389	29.08421	-1.627821	0.3507
NETSALE	0.261323	0.055488	4.709571	0.1332
STOCKPRICE	0.005916	0.006338	0.933341	0.5219
C	-3.414624	6.941318	-0.491927	0.7090
R-squared	0.998970	Mean dependent var	7.400000	
Adjusted R-squared	0.990726	S.D. dependent var	2.560382	
S.E. of regression	0.246572	Akaike info criterion	-0.464913	
Sum squared resid	0.060798	Schwarz criterion	-0.192586	
Log likelihood	11.32457	F-statistic	121.1791	
Durbin-Watson stat	2.298137	Prob(F-statistic)	0.070148	

$$Y = -0.31 \cdot \text{COST} - 3.17 \cdot \text{CPI} + 4.95 \cdot \text{R} - 47.3 \cdot \text{G} - 10.3 \cdot \text{Rf} + 0.0004 \cdot \text{EX\_RATE} + 0.26 \cdot \text{NETSALE} + 0.005 \cdot \text{STOCKPRICE} - 3.4, R^2 = 0.99, \text{SER} = 0.24$$

(0.08)            (3.62)            (9.02)            (29.08)            (17.9)            (0.0004)            (0.05)            (0.006)

Therefore, we see impacts of 8 macro factors, with the new variable: VNM Stock price, the above equation shows that VNM Net profit (Y) has negative correlation with GDP growth, cost, inflation, and risk free rate, whereas it has positive correlation with lending rate, exchange rate, net sale and stock price. We also recognize that GDP growth, risk free rate, CPI and lending rate, have the highest impact on VNM net profit, while exchange rate just has a slightly impact on stock price. A reduction in GDP growth and risk free rate, inflation and cost will increase VNM net profit.

#### 4.3.3. Scenario 3 - regression model with 8 macro variables: adding VNIndex

##### Running Eviews gives us results

Dependent Variable: Y  
Method: Least Squares  
Date: 02/24/20 Time: 12:51  
Sample: 1 10  
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COST	-0.283458	0.150077	-1.888754	0.3100
CPI	-3.089209	9.504591	-0.325023	0.7999
R	13.04175	23.82728	0.547345	0.6812
EX_RATE	-5.09E-05	0.000744	-0.068442	0.9565
RF	-11.11962	50.61886	-0.219674	0.8623
NETSALE	0.330991	0.157605	2.100128	0.2829
STOCKPRICE	0.009785	0.021656	0.451820	0.7298
VNINDEX	-0.002641	0.006452	-0.409309	0.7527
C	2.145330	14.06369	0.152544	0.9036
R-squared	0.996779	Mean dependent var	7.400000	
Adjusted R-squared	0.971008	S.D. dependent var	2.560382	
S.E. of regression	0.435956	Akaike info criterion	0.674866	
Sum squared resid	0.190058	Schwarz criterion	0.947192	
Log likelihood	5.625671	F-statistic	38.67895	
Durbin-Watson stat	2.240142	Prob(F-statistic)	0.123756	

## 5. Discussion and conclusion

Therefore, we recognize that:

From above calculation in section 4.3.1, 4.3.2 and 4.3.3, Vinamilk net profit is affected by lending rate (positively with high impact), and affected negatively by cost and CPI 9-3.08 and -0.28 coefficients).

Hence Vinamilk can increase net profit through reducing cost and increasing sale. Also it needs policy to reduce inflation and risk free rate to increase its profit. Last but not least, Vinamilk will ensure its leadership by focusing on training, fostering, improving capacity, professional qualifications, public service ethics, sense of responsibility is conditions for Vinamilk to ensure leadership position and the compnay always perform core values: integrity (Integrity, Honesty in conduct and in all transactions) - To respect (Respect yourself, Respect colleagues, Respect the Company, Respect partners, Respect cooperation) - Equal (Be fair to employees, customers, suppliers and other stakeholders).

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*The authors declare no competing financial, professional and personal interests.*

### *Consent for publication*

*Authors declare that they consented for the publication of this research work.*

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